EXHIBIT 4

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

In re: THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, as representative of THE COMMONWEALTH OF PUERTO RICO, *et al.* Debtors.[1]	PROMESA Title III Case No. 17 BK 3283-LTS (Jointly Administered)
In re: THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, as representative of PUERTO RICO ELECTRIC POWER AUTHORITY, Debtor.	PROMESA Title III Case No. 17 BK 4780-LTS (This court filing relates only to Case No. 17 BK 4780-LTS)

DECLARATION OF ROBERT A. LAMB IN SUPPORT OF THE MOTION OF NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION, ASSURED GUARANTY CORP., ASSURED GUARANTY MUNICIPAL CORP., AND SYNCORA GUARANTEE INC. FOR RELIEF FROM THE AUTOMATIC STAY TO ALLOW MOVANTS TO ENFORCE THEIR STATUTORY RIGHT TO HAVE A RECEIVER APPOINTED

Robert A. Lamb, pursuant to 28 U.S.C. § 1746, hereby declares as follows:

[1] The Debtors in these Title III cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's Federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico ("Commonwealth") (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 04780-LTS) (Last Four Digits of Federal Tax ID: 3747) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

1. I am President of Lamont Financial Services Corporation ("Lamont"). Lamont is a top-tier municipal advisor that assists issuers of municipal bonds in developing and implementing capital improvement plans to build the necessary infrastructure that is needed in every modern country in the world.

2. I submit this declaration in support of the *Motion of National Public Finance Guarantee Corporation, Assured Guaranty Corp., Assured Guaranty Municipal Corp., and Syncora Guarantee Inc. for Relief from the Automatic Stay to Allow Movants to Enforce Their Statutory Right to Have a Receiver Appointed* (the "Motion"), filed concurrently herewith.

3. Except as otherwise indicated, I submit this affidavit based on my personal knowledge and records provided to me by National Public Finance Guarantee Corp. ("National"), Assured Guaranty Corp. and Assured Guaranty Municipal Corp. (together, "Assured"), and Syncora Guarantee Inc. ("Syncora," and together with National and Assured, the "Movants"). A list of materials I considered in issuing this declaration is annexed hereto as Exhibit A.

4. I founded Lamont in 1987 after spending almost 5 years at LF Rothschild & Co., an investment bank. Since founding Lamont Financial Services in 1987, I have completed over 1,000 transactions with a total value of over $160 billion. I have been developing revenue bond financings to finance public infrastructure since 1984. Approximately 90% of the debt that Lamont completes is for revenue bonds. I have developed multiple revenue bond programs that have been adopted by various states, setting them up in places from Massachusetts to California. This process includes developing the statutory authorizations, assisting with the development of the financing documents, including the necessary covenants to obtain the targeted ratings, rating

agency presentations, and refereeing the pricing of the financings as they become established in the market.

5. I hold a BA and MS degree from the University at Albany. Prior to my experience in investment banking, I worked at the Department of Transportation in New York State as a staff person on the team that reviewed the Metropolitan Transportation Authority Capital Plan in 1981-1983. My particular responsibility was to review the proposed financing of the Capital Plan and make recommendations regarding the strategies that were being considered by the Metropolitan Transportation Authority and its investment bankers.

6. I launched my investment banking career by developing a statewide transportation plan for the State of Connecticut as well as developing new funding solutions for water and sewer projects with State Revolving Funds. This financing program is a significant component of capital investments in water/sewer infrastructure.

7. I have been previously retained to serve as an expert witness in several areas. By way of example, I have served as an expert witness on behalf of National in a September 2016 lift-stay hearing in the matter *National Public Finance Guarantee Corp. v. Padilla*, Case No. 16-CV-1621 (D.P.R 2016). In *National v. Padilla*, I testified to how I created revenue bond security using covenants (referred to as a covenant stack) and the importance to revenue bondholders of the covenant stack in their purchasing decisions. I also reviewed the detriment to the pricing of revenue bonds in the secondary market in 2016 as the Commonwealth of Puerto Rico enacted the first Moratorium Law and the application of the Moratorium Law through the issuance of executive orders, demonstrating substantial price changes tied to these governmental actions.

8. I have also served as an expert witness in two cases related to bond market lawsuits against bankers. In addition, I have served as an expert witness for the United States Department of Justice in three cases related to environmental enforcement matters. A list of my expert retentions is included in my curriculum vitae, annexed hereto as Exhibit B.

9. My opinions are formed from over 35 years as a practitioner in municipal finance where I have frequent discussions with investment bankers, underwriters, major buyers of municipal bonds, rating analysts, and buy-side analysts who must approve a transaction before the institutional buyer can purchase the bonds. I interact with many of these market participants every week. I occasionally speak at their conferences. Unless otherwise indicated, the opinions contained in this declaration concerning the municipal bond market primarily relate to the timeframe covering the period between 1995 and 2018 when most of PREPA's still outstanding bonds were issued.

Revenue Bonds in Municipal Finance

10. A significant amount of municipal debt is issued as non-recourse debt, which means the debt may only be repaid by the revenues of the project or system. Non-recourse debt can be backed by one or more of (i) revenues, (ii) sales taxes, (iii) other limited tax pledges, and (iv) rates and charges related to the project or system being financed. Additionally, public utilities typically are not permitted to pledge physical assets as collateral. Municipal issuers have typically utilized a non-recourse revenue bond structure when a project can generate revenues to avoid creating a burden on the general obligation credit of the government. In a revenue bond structure, the revenues of a project or system are pledged to bondholders to repay the debt of the project or system. The revenue pledge routinely is supported by covenants to ensure that rates and charges are sufficient to cover debt service and operating expenses, that the

resulting revenues are collected, and that revenues are used appropriately for those purposes. This collateral package, i.e., the combination of a pledge on current and future revenues and supporting protective covenants to ensure that they are sufficient to pay for the operations of the issuer and to repay its debt in full, has made it possible for utilities such as PREPA to successfully raise billions of dollars in the municipal bond market all while reducing their borrowing costs.

11. To ensure that a project's revenue stream is adequate to repay the bond debt, to make the bonds more attractive to a buyer and to lower the issuer's borrowing costs, revenue bond issuers pledge a set of protective covenants to provide extra security to the buyer, promising the buyer that he/she will be repaid with the promised interest and will also get the principal back at maturity. The protective covenants usually impose requirements concerning the custody of the revenues used to repay the debt, adequate budget supervision to ensure that the project or system will be maintained without excessive spending, a mechanism to make monthly installments for debt service, and the establishment and replenishment of reserves, including debt service reserves, operating reserves, and maintenance reserves. These protective covenants are highlighted in rating agency presentations as a way to help get a better rating for the issue, so they are vitally important to being able to sell bonds at favorable interest rates.

12. Revenue bonds also typically build in other important protections for bondholders to assure them that they will get their interest paid as required and their principal back at maturity of the bond. Two major protections for bondholders are the "Debt Service Coverage" requirement and the "Additional Bonds Test," which prevents any substantial dilution of the credit covenants. The Debt Service Coverage requirement (sometimes referred to as a "rate covenant") requires the project or system revenues to be sufficient, after payment of

reasonable current operating expenses, to pay debt service. Debt Service Coverage requirements are also tied into covenants to set rates and charges so as to generate sufficient funds to pay all reasonable operating expenses and to fund the monthly debt service deposits to pay the bond debt service, fill or refill reserves, pay subordinate debt obligations, and pay other capital or corporate expenses of the issuer. Rate covenants are integral parts of revenue pledges in public-owned utility financings, and are typically embedded in the bond indenture and applicable state law. Without these guarantees and security provisions, few purchasers of revenue bonds would find those securities to be a suitable investment. Accordingly, rate covenants are viewed as the security and collateral for the bonds. Indeed, official statements typically describe rate covenants as security for revenue bond financings. This was true for PREPA as well.

13. The Additional Bonds Test establishes additional requirements related to the issuance of parity bonds or other parity obligations. This prevents an issuer from diluting the value of the bonds with additional issuance, protecting the investment of the purchaser over time. Importantly, the Additional Bonds Test also serves to ensure that the issuer is in compliance with all the covenants. The issuer must certify compliance with all the covenants to be able to issue any additional parity debt. Buyers are very cognizant of the Additional Bonds Test and the importance of the requirement that all covenants are being met, which is why this is an important covenant.

14. Because revenue bondholders and insurers of revenue bonds do not have additional recourse to the assets, other funds, or credit of the issuer for debt repayment, purchasing decisions are made based upon an expectation that the economics of the project and the accompanying covenant package will be sufficient to cause the bonds to be repaid on schedule.

15. In addition, it is my business understanding that the Bankruptcy Code has for many years provided protection for revenue bonds when a municipality or utility files for bankruptcy. *See* 11 U.S.C. §§ 922, 928. The marketplace has typically understood that this protection included that the revenue pledge would continue in bankruptcy and that debt service would not be interrupted. For example, section 928(a) of the Bankruptcy Code requires that such special revenues "shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case." 11 U.S.C. § 928(a). The special revenue provisions were enacted to prevent ratings downgrades to revenue bonds across the country, which at the time of the 1988 amendments to chapter 9, accounted for a substantial portion of outstanding municipal securities. One of the concerns that caused Congress to enact section 928 was that the elimination of revenue bondholders' security and the ability of a debtor to divert or otherwise diminish that security would inhibit the ability of municipalities to issue revenue bonds. These concerns were not hypothetical: the City of Cleveland was unable to obtain financing to fund its essential services in part because of the bond market's concerns on these issues. The special revenue provisions were enacted to "insure that revenue bondholders receive the benefit of their bargain with the municipal issuer, *namely they will have unimpaired rights to the project revenue pledged to them.*" S. Rep. No. 100-506, at 12 (1988) (emphasis added). The purpose of these provisions was to recognize a "hypothetical mortgage from which revenues are derived where a real mortgage cannot be created either for legal reasons or because of compelling considerations of public policy." *Id.* at 13.

16. Revenue bonds can trade better in many instances than general obligation bonds for the same geographic area. For example, my firm has set up statewide programs to fund key infrastructure improvements whose revenue bonds have been rated higher than the general

obligation bonds of the same geographic area, and when we priced the bonds, we obtained substantially lower rates, sometimes over 50 basis points (0.50%) lower. This has happened in multiple locations. Similarly, as a more exact comparison to the Commonwealth of Puerto Rico and PREPA, we have seen a state's revenue bonds price better than the state's general obligation bonds in Pennsylvania, Massachusetts, and Connecticut. Revenue bonds are often rated higher than the general obligation bonds because of the protective covenants embedded in the revenue bonds. The use of the issuer's bond money is solely for the required purpose, and can't be taken away by the municipality/state. This protects the issuer as well as the bond purchaser. For instance, I am aware that states frequently have difficulty balancing their budgets, and look for ways to raid the state authorities for some cash. With a well structured set of protective covenants, a state cannot take the cash balances from its instrumentalities. Both the buyers and the rating agencies assign significant value to the protective covenants, as essential collateral in both rating and buying decisions. *See* Exhibit C annexed hereto for comparisons between certain states' general obligation bonds and statewide revenue bonds in a similar timeframe.

<u>PREPA's Financing Structure</u>

17. PREPA's financing structure is typical of a revenue bond financing done by hundreds of issuers in the United States. The financing was done without credit support from the Commonwealth, but with the usual covenants, at the time PREPA's Trust Agreement[2] was written, from the issuer to make the transaction marketable and the bond reliably secured debt. In my experience, small issuers, such as dirt bond issuers in the South and Southwest, energy efficiency issuers, development projects and small community hospitals can only issue through the private placement market, doing so without ratings, and may have a different set of covenants

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[2] "Trust Agreement" refers to the trust agreement between PREPA and U.S. Bank National Association, as successor trustee (the "Trustee"), dated January 1, 1974, as amended and supplemented.

responsive to the needs to the buyer. Every large issuer of revenue bonds provides protective covenants for the benefit of bondholders, usually customized for the sector it is in. Not all covenant stacks are the same, since they are customized for the issuer based upon standard requirements at the time the documents were drafted. It is important, however, for an issuer like PREPA to be able to obtain investment-grade ratings in order to obtain the associated lower cost of capital for funding the project, so a package of protective covenants will typically be included in the security package to get such ratings.

18. PREPA's debt is limited recourse in nature and at issuance was investment grade. Exhibit D annexed hereto shows a timeline of PREPA's rating history. In fact, the Enabling Act[3] and Trust Agreement make clear that the bonds are not a debt of the Commonwealth and are only supported by a pledge of the revenue stream dedicated to the payment of the bonds. As a result, I would expect that PREPA bonds' credit diligence would have been performed on the reported revenue stream and the supporting covenants, rather than on the balance sheet of the Commonwealth.

19. The secured credit structure is generally informed by the strength of the revenue stream that is pledged to the project, the relative economics of the project and its ability to support the debt, as well as the willingness of the issuer to repay the debt. As a result, much of the credit due diligence that a buyer does before purchasing a revenue bond is to understand the economics of the transaction, including the diversity of the revenue stream and the covenants made by the borrower in connection with their ability and willingness to adjust rates and charges to meet the requirements of the debt service payments due in each year.

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[3] "Enabling Act" refers to the Puerto Rico Electric Power Authority Act, Act No. 83 of May 12, 1941, P.R. Laws Ann. Tit. 22 §§ 191, *et seq*.

20. Revenue bonds, especially for large issues like the PREPA bonds, are rated by one or more rating agencies. There are four major rating agencies in the municipal market that will rate municipal revenue bonds: Fitch Investors Service, Moody's Investors Service, Standard and Poor's Global Ratings, and Kroll Bond Ratings. Fitch, Moody's, and S&P Global rate the PREPA bonds. In their reports, they highlight key credit concerns as well as the key credit strengths of the issuer. Sample reports from Moody's, S&P, and Fitch, annexed hereto as Exhibit E, show that the rating analysts included a discussion of the economics and of the protective covenants, including how PREPA was complying with the rate covenant, in the reports.

21. For example, in the 2010 rating reports, the rating analysts discussed PREPA's compliance with its rate covenant while PREPA was on firmer footing with a BBB+/A3 rating. *See* Ex. E. In April 2010, Moody's quoted PREPA's full, independent rate-setting authority, satisfactory Debt Service Coverage, and "sound bond covenants including a requirement that maximum annual debt service is covered by at least 1.2x" as significant credit strengths. Ex. E at 9. In June 2008, Fitch noted that PREPA's "sound management . . . structure" that has a proven track record of "operat[ing] independently from Commonwealth" government was a key credit strength. *Id.* at 1. And in July 2009, S&P cited PREPA's ability to maintain an expected Debt Service Coverage level of about 1.5x, a coverage ratio greater than the 1.2x required minimum under the rate covenant, as an important factor influencing the rating agency's view of PREPA's credit quality. *Id.* at 14, 17. By 2013, the ratings had slipped three notches by Moody's, one notch by S&P, and two notches by Fitch. In the case of the 2013 bonds, these reports cited the continued weakness of the Puerto Rican economy, large capital requirements and weakened Debt Service Coverage, uncertainty about the execution of long-term fuel

diversification and cost reductions, and limited liquidity as significant challenges facing PREPA and concerns affecting PREPA's credit. In fact, PREPA was reducing the amount of coverage and running closer to the margins while substantially increasing the amount of debt burden on the system. Importantly, at the same time, rating agencies focused on the pledge of revenues and key covenants supporting it, rated the bonds at Baa3/BBB/BBB-, still investment grade, which was sufficient to raise another $600 million for PREPA.

22. In the primary bond market, rating reports are frequently requested by the buyers of municipal bonds and are supplemental to a municipal credit analyst's own thought about the creditworthiness of any particular municipal bond.

23. Many issuers of municipal bonds also purchase credit enhancements, such as bond insurance. Bond insurance provides a credit support for a buyer of municipal bonds, so that the buyer can look to the rating of the bond insurer instead of just the underlying rating of the revenue bond; this allows issuers such as PREPA to issue debt with lower interest rates and thus achieve lower interest costs than they otherwise would be able to realize without bond insurance. However, most buyers in the primary market will require an investment grade rating on the underlying revenue bond even if the revenue bonds are wrapped by a bond insurance policy. Thus, all revenue bond purchasers and the bond insurers want to understand the covenants, binding commitments, and remedies that are laid out in the agreement between the issuer and the trustee, as representative of the bondholders. These issues are also important to the bond insurers, since they are assessed a capital charge for bonds that they wrap and assume risk related to the payment of the bond's principal and interest over the life of the insurance.

24. As with other revenue bonds, PREPA's obligations to its bondholders are governed by a Trust Agreement, which is the security agreement that PREPA has made with the

bondholders and which appoints a Trustee, which is U.S. Bank National Association. My business understanding, which appears to be consistent with documents contemporenous with the issuance of many bonds, is that PREPA's revenues and covenants or commitments were pledged as collateral to support PREPA's promise to repay the debt. I note that the Trust Agreement also provides additional pledges on specific bank accounts held by the Trustee. *See* Trust Agreement § 507(h) (lien on the Sinking Fund is "for the further security for such" bondholders). This in no way diminishes the importance of the pledge of revenues and supporting covenants, without which PREPA could avoid putting money into the pledged accounts in the first place.

25. A Trust Agreement, sometimes called an Indenture of Trust, typically sets forth the application of pledged revenues that will be received by the Trustee to pay the current operating expenses of the issuer, fund monthly debt service installments, and fund reserves, which may be a bond debt service reserve, an operating reserve, and a maintenance reserve. The way revenues are used to redeem bonds, how much revenue in excess of expenses and debt service an issuer is obligated to pay, and the levels at which reserve funds must be funded are also set forth in the Indenture of Trust; generally, any deficiency in the funding of reserves must be cured before any pledged revenues will free up to the issuer for any other corporate purpose. As discussed below, PREPA's Trust Agreement follows this structure. The Trustee receives pledged revenue, sets up various accounts and monitors the application of monies to the flow of funds in the Trust Agreement.

PREPA's Trust Agreement Requirements

26. The PREPA Trust Agreement has a variety of specific requirements that are found in Article V, Revenues and Funds.[4] The covenants are consistent with what would

[4] Capitalized terms in this Section not defined elsewhere in this declaration are defined in the Trust Agreement.

typically be expected for municipal bond financings and are recognized in the industry as enforceable pledged security interests, not mere promises. The key covenants existing here with respect to the PREPA bonds are summarized as follows:

- PREPA will bill for services for the services and facilities furnished by the System.
- PREPA will fix and collect rates and charges and will adjust such rates and charges so that the Revenues will at all times be sufficient:
    - To pay Current Expenses of the System; and
    - To provide an amount equal to 120% of the aggregate principal and interest requirements for the next fiscal year, reduced by amount held in the Bond Service Account from proceeds to pay interest.
- PREPA will revise the rates and charges in the event that the Revenues are insufficient so that any deficiency is made up in the next fiscal year.
- PREPA will apply monies in accordance with specific requirements set forth in Article V of the Trust Agreement, and it will deposit monies in Qualified Depositaries.
- PREPA will maintain insurance on the System.
- PREPA will revise its regulations in relation to the collection of bills to make up for revenue deficiencies.

27. The custody and flow of funds is established by the requirements of the Trust Agreement. Here, PREPA pledged that it will deposit all Revenues in the General Fund under which certain revenues may be used to pay for certain Current Expenses, subject to limitations set forth in Article V of the Trust Agreement. Thereafter, such Revenues are distributed to other funds and accounts within the Trust Agreement by the Trustee.

28. The Trust Agreement also addresses the actions that must be taken in the event that revenues are insufficient to meet all of the requirements in the flow of funds. For example, in the event that Current Expenses are in excess of Revenues received, PREPA is required to work with its consulting engineers to revise expenditures or to make advisable revisions to the rates and charges. In the event that PREPA shall fail to adjust rates and charges sufficient to comply with the covenants of the Trust Agreement, or to comply with other protective covenants, the Trustee is authorized to take enforcement actions to compel compliance or to seek the appointment of a Receiver.

29. The obligation to seek appointment of a Receiver in the event of a default on the bonds is also provided in Section 207(a) of the Enabling Act. The fact that this obligation appears in Puerto Rico law adds additional strength to the protective covenants. The statutory requirement is that if at least 25% of bondholders request the appointment of a receiver, any court of competent jurisdiction in Puerto Rico shall appoint one. Section 207(b) of the Enabling Act outlines the duties of the receiver, which essentially are to take over the administration of PREPA to correct the deficiencies and make the changes needed for PREPA to cure the default and bring PREPA back into compliance with the requirements of the Trust Agreement.

30. In my opinion, market participants would have viewed the collateral described in the Trust Agreement, including the revenue pledge and protective covenants, and particularly those that are supported by statutory language, as being very important factors in the issuance and purchase of PREPA's bonds, and that they continue to be viewed that way today in the municipal market.

31. The bond market viewed PREPA's protective covenants and enforcement rights as important rights that would not be disregarded by the courts or other authorities.

Without this view, the value of the revenue bonds when issued would have made the bonds unsaleable at reasonable prices, and PREPA would not have received investment grade ratings on the debt. PREPA is required to do many things if revenues are insufficient to pay all current expenses and provide Debt Service Coverage of 120%. Under Section 502 of the Trust Agreement, if a deficiency occurs, the Trustee, upon the request of 10% of bondholders, shall institute or prosecute actions in a court of competent jurisdiction to compel PREPA to adjust its schedule of rates and charges, and PREPA covenants that it will adopt and charge rates and charges in compliance with any judgment, order, or decree.

32. Failure to recognize the secured rights of bondholders to realize the benefit of the covenant pledges that they understood were part of the package they were buying would disrupt the operations and efficient pricing of the revenue bonds used to provide a significant portion of the public infrastructure in the United States, including bonds such as the PREPA bonds at issue here. The infrastructure needs in the United States are substantial enough that the responsibility to fund such capital improvements will require a partnership between the federal government, state governments, state authorities, and local governments and local authorities. An important part of the partnership will be to continue to honor the rights of bondholders who have purchased bonds with the expectation that the protective covenants that they understood would be part of their collateral package are maintained. A failure to honor the rights of bondholders and to enforce the protective covenants will undermine the significant tenets of municipal finance. I believe it will make the financing of infrastructure in the United States substantially more expensive.

33. My fees in connection with serving as an expert witness in this case are $750 per hour, and that of my staff from Lamont that I have used to source information are

charged at the rate of $325-$750 per hour. My compensation and that of my staff from Lamont is not contingent upon the substance of my opinions or the outcome of the Motion and proceeding.

Executed on October 3, 2018 in Fairfield, New Jersey

Robert A. Lamb

Exhibit A

Documents Relied Upon in Support of Declaration of Robert A. Lamb

1. Trust Agreement between the Puerto Rico Electric Power Authority to the U.S. Bank National Association dated as of January 1, 1974 as amended and supplemented through August 1, 2011.
2. Various PREPA Official Statements dated 2001-2013.
3. Various UCC filings from the AUTORIDAD DE ENERGIA ELECTRICA DE PUERTO RICO.
4. Laws of Puerto Rico Annotated, Title Twenty-Two. Public Works; Chapter 11. Puerto Rico Electric Power Authority; 22 LPRA Sections 191-217 with particular emphasis on 22 LPRA Section 207 Right to receivership upon default, and 22 LPRA Section 208 Remedies of Bondholders. *See generally,* PROMESA 48 U.S.C. §§ 2101-2241.
5. Various Rating Agency Reports on PREPA, including S&P, Fitch, and Moody's reports from 2001-2013.
6. Pricing information (subscription services) from Thomson Reuters, Thomson Municipal Services.
7. Electronic Municipal Marketplace (EMMA) run by the MSRB.
8. Brief for the Nat'l Fed'n of Mun. Analysis as Amicus Curiae in Supp. of Appellants and Reversal, *In re: The Fin. Oversight and Mgmt. Bd. for Puert Rico, as Representative for the Commonwealth of Puerto Rico, No. 18-1165 (1st Cir. May 16, 2018).*
9. Excerpt from hearing transcript regarding my prior testimony in the matter *National Public Finance Guarantee Corp. v. Padilla*, Case No. 16-CV-1621 (D.P.R 2016). H'rg Tr. at 70:22-142:18).

Exhibit B

Robert A. Lamb

96 Hathaway Lane **973-228-2816**
Essex Fells, New Jersey 07021 **973-652-8530**

Employment History

Lamont Financial Services Corporation, Fairfield, NJ
President and Chairman 1987-Present
Founded Lamont Financial Services Corporation ("Lamont") to focus on providing municipal advisory services to large issuers. Lamont is a nationally ranked municipal advisor (currently #9 in 2018) and has completed over $160 billion of municipal bond transactions. Lamont's clients are generally states, state authorities, or major issuers. Lamont specializes in large complex revenue bond and structured financings and has developed numerous new financings to solve problems experienced by our clients. He has expertise in water and sewer, transportation infrastructure, state revolving funds, energy efficiency, housing, and general government.

Mr. Lamb was the first financial advisor to be named to the Municipal Securities Rulemaking Board, which is the self-regulatory body governing the municipal industry. He served as Vice-Chairman of the Board. He also served on the professional qualification committee of the MSRB in the development of the qualifications test governing municipal advisors.

In addition, Mr. Lamb has served non-state clients such as the US Department of Justice (expert witness on financial affordability) and the municipal bond insurers in connection with workouts and restructuring for solid waste-to-energy plants, water and sewer utilities, and municipal bankruptcy. He has substantial municipal workout experience, including pre-bankruptcy solutions for municipal entities.

Mr. Lamb has served as an expert witness in a case involving Puerto Rico and provided testimony on the security structure of municipal revenue bonds and the various covenants that have made them work and achieve strong investment grade ratings from Wall Street analysts.

L.F. Rothschild and Company, New York, New York
Principal 1983-1987
Held a variety of titles in the Public Finance Department (started as AVP and rose to Principal) and ran the Infrastructure Group. Was senior banker on numerous wastewater and transportation financings (toll roads, commuter rail, and mass transit) and developed the State of Connecticut's Special Transportation Fund and the related Special Tax Obligation Bond financing program in 1983-84 as financial advisor to the State.

NYS Executive Chamber 1983
Served in a dual role as the first staff director of the Council on Fiscal and Economic Priorities and as the Governor's Transportation Program Associate. All normal transportation activities (DOT, DMV, MTA, PANYNJ, and the other transportation authorities) that required the attention of the Governor's Office, including any transportation bills, came through the Transportation Program Associate. In connection with the Port Authority, I was New York's negotiator on the 1983 bi-state agreement which incorporated the state move-out of the WTC,

Exhibit B

the PATH fare increase, the bridge and tunnels toll increase, and the creation of the Regional Economic Development Fund. Supervised negotiations with Federal DOT on trucking de-regulation and the transportation of nuclear waste products over state highways.

NYS Department of Transportation 1981-1982
Temporary staff to the newly created MTA Capital Program Review Board where I dealt with the financial planning and financing issues being proposed as part of the MTA's first 5 year Capital Plan. Authored papers on tax-benefit transfers under ERDA and coordinated the first multi-authority leveraged lease of transit buses and the state approvals for the leveraged lease of the Staten Island ferry.

Not-For-Profit and Educational Experience

Travelers Aid of Northeastern New York
Executive Director 1978-1981
Agency served the homeless and deinstitutionalized mentally ill in the Albany area, seeking to find shelter and support for its clients. The Agency handled approximately 1100 cases per year and was funded by the United Way. Wrote a grant funded by the State of New York to provide similar services to spectators during the 1980 Olympics in Lake Placid.

Drug Free Youth Counselor (Youth Unlimited) 1975-1978
Family ad adolescent counseling in Saratoga at an agency funded by New York State and supervised by the county mental health clinic. Also trained other counselors.

Special Education Teacher (BOCES) 1973-1975
Taught children who were excluded from regular school and who were diagnosed with emotional and behavioral problems.

Licenses
Series 65, Series 50

Education

Albany State University (now University at Albany)
MS in Educational Psychology 1973
BA in English Education, dual minor in anthropology and philosophy 1972

Affiliations
Former Board member and vice-chair of the Municipal Securities Rulemaking Board
Member of the National Society of Compliance Professionals
Member of the Council of Infrastructure Financing Authorities
Trustee for the Citizens Budget Commission and co-chair of the Port Authority Committee
Elder, First Presbyterian Church

Interests
Golf, sailing, soccer, travel, public policy

Exhibit C

	Connecticut SRF 2017		Connecticut GO 2017		The MDC Rev 2014		Hartford CT GO 2014		MWPAT 2013		Massachusetts GO 2013		PENNVEST 2018A		Pennsylvania GO 2018		PREPA 2008		Puerto Rico GO 2008	
	Yield	Spread	Yield	Spread	Yield	Spread	Yield	Spread	Yield	Spread	Yield	Spread	Yield	Spread	Yield	Spread	Yield	Spread	Yield	Spread
2018			1.15%	+12	0.99%	+16	1.02%	+25	0.74%	-1	1.19%	+24					4.80%	+91	4.93%	+142
2019	0.88%	+0	1.39%	+37	1.26%	+18	1.28%	+29	0.96%	-1	1.50%	+24	1.45%	+5			4.88%	+88		
2020	1.00%	+3	1.69%	+50	1.51%	+19	1.52%	+29	1.17%	-2	1.76%	+26	1.54%	+0	2.19%	+34	4.95%	+85		
2021	1.13%	+5	1.92%	+57	1.79%	+23	1.79%	+34	1.40%	+0	2.03%	+26	1.59%	+1	2.33%	+39	5.00%	+82		
2022	1.28%	+7	2.17%	+62	2.01%	+26	2.04%	+41	1.58%	+0	2.25%	+27	1.65%	+3	2.40%	+39	5.05%	+82		
2023	1.42%	+10	2.40%	+68	2.17%	+29	2.17%	+43	1.80%	+5	2.38%	+28	1.73%	+3	2.52%	+44	5.08%	+81	5.16%	+108
2024	1.57%	+13	2.58%	+70	2.30%	+30	2.31%	+48	1.94%	+8			1.81%	+4	2.68%	+44	5.13%	+82		
2025	1.74%	+15	2.75%	+73	2.41%	+31	2.45%	+54	2.05%	+8			1.91%	+4	2.83%	+53	5.20%	+84		
2026	1.93%	+17	2.89%	+75	2.51%	+31	2.58%	+58	2.16%	+8			2.01%	+4	2.97%	+58				
2027	2.05%	+19	3.00%	+77	2.62%	+35	2.66%	+59	2.34%	+15			2.09%	+4	3.04%	+58				
2028	2.17%	+21	3.16%	+84	2.70%	+37	2.71%	+59	2.43%	+15			2.16%	+4	3.10%	+58	5.22%	+72	5.31%	+98
2029	2.27%	+21	3.23%	+82	2.76%	+38	3.19%	+102	2.51%	+15					3.20%	+63				
2030	2.37%	+22			2.83%	+40	3.25%	+102	2.57%	+15					3.35%	+73				
2031	2.45%	+23	3.67%	+108	2.89%	+40	2.88%	+58	2.63%	+15					3.50%	+84				
2032	2.52%	+23	3.49%	+82	2.95%	+40	2.95%	+58	2.68%	+15					3.30%	+59				
2033	2.60%	+24	3.56%	+82	3.00%	+40	3.01%	+58	2.73%	+15	3.20%	+25			3.64%	+88	5.34%	+71	5.48%	+94
2034	2.66%	+24	3.62%	+82	3.05%	+40	3.06%	+58	2.78%	+15					3.69%	+88				
2035	2.71%	+24	3.67%	+82	3.10%	+40			2.83%	+15					3.79%	+94				
2036	2.75%	+24			3.14%	+39			2.88%	+15					3.82%	+94				
2037	2.79%	+24			3.18%	+38									3.85%	+94				
2038			4.00%	+109													5.30%	+61	5.49%	+89
2039									2.99%	+15										
2040																				
2041																				
2042					3.30%	+36														
2043									3.04%	+15	4.05%	+76								

Exhibit D

Date	PREPA Issuances	Moody's Rating	S&P Rating	Fitch Rating	Debt Outstanding
Jan 2008		A3 (Stable)			
Feb 2008					
Mar 2008					
Apr 2008					$ 7,292,000,000
May 2008					
Jun 2008	Refunding Series WW & XX	A3 (Stable)		A- (Stable)	
Jul 2008					
Aug 2008					
Sep 2008					
Oct 2008					
Nov 2008					
Dec 2008					
Jan 2009					
Feb 2009		A3 (Stable)			
Mar 2009					
Apr 2009					
May 2009					
Jun 2009					
Jul 2009			BBB+ (Stable)		
Aug 2009					
Sep 2009					
Oct 2009				BBB+ (Stable)	
Nov 2009					
Dec 2009					
Jan 2010					
Feb 2010					
Mar 2010	Series 2010 XX			BBB+ (Stable)	
Apr 2010	Series 2010 YY, ZZ, & AAA			BBB+ (Stable)	
May 2010	Series 2010 BBB & CCC			BBB+ (Stable)	$ 7,478,000,000
Jun 2010					
Jul 2010					
Aug 2010					$ 7,560,000,000
Sep 2010		A3 (Stable)		BBB+ (Stable)	
Oct 2010	Series 2010 DDD				$ 7,566,000,000
Nov 2010					
Dec 2010	Series 2010 EEE	A3 (Stable)			
Jan 2011					
Feb 2011					
Mar 2011					
Apr 2011					
May 2011					
Jun 2011					
Jul 2011					
Aug 2011					
Sep 2011					
Oct 2011		A3 (Negative)			
Nov 2011					
Dec 2011				BBB+ (Stable)	$ 7,800,000,000
Jan 2012					
Feb 2012					
Mar 2012		Baa1 (Stable)	BBB+ (Stable)	BBB+ (Negative)	$ 8,100,000,000
Apr 2012	Series 2012 A & B				$ 8,600,000,000
May 2012					
Jun 2012					
Jul 2012					
Aug 2012					
Sep 2012					
Oct 2012					
Nov 2012					
Dec 2012		Baa2 (Negative)			
Jan 2013					
Feb 2013					
Mar 2013				BBB+ (Negative)	
Apr 2013					
May 2013					
Jun 2013		Baa3 (Negative)	BBB (Stable)		$ 8,800,000,000
Jul 2013				BBB- (Stable)	
Aug 2013	Series 2013 A				$ 9,200,000,000
Sep 2013					
Oct 2013					
Nov 2013					
Dec 2013					
Jan 2014					
Feb 2014		Ba2 (Negative)		BB+ (Negative)	$ 8,800,000,000
Mar 2014					
Apr 2014					
May 2014					
Jun 2014			BBB- (Negative) / BB (Negative)	BB (Negative)	

Jul 2014		B2 (Negative)	B- (Negative) / CCC (Negative)	CC (Negative)	
Aug 2014					
Sep 2014		Caa3 (Negative)			$ 8,800,000,000
Oct 2014					
Nov 2014					
Dec 2014					
Jan 2015					
Feb 2015					
Mar 2015					
Apr 2015			CCC- (Negative)		
May 2015					
Jun 2015					
Jul 2015			CC (Negative)		
Aug 2015					
Sep 2015					
Oct 2015					
Nov 2015					
Dec 2015				CC (Negative)	
Jan 2016					
Feb 2016					
Mar 2016					
Apr 2016					
May 2016					
Jun 2016			D (Negative)	C (Negative)	
Jul 2016					$ 8,300,000,000
Aug 2016					
Sep 2016					
Oct 2016					
Nov 2016					
Dec 2016					
Jan 2017					
Feb 2017					
Mar 2017					
Apr 2017					$ 8,000,000,000
May 2017					
Jun 2017		Ca (Negative)		C (Negative)	$ 8,000,000,000
Jul 2017				D (Negative)	
Aug 2017					
Sep 2017					
Oct 2017					
Nov 2017					
Dec 2017					
Jan 2018					
Feb 2018					
Mar 2018					
Apr 2018					
May 2018					
Jun 2018					
Jul 2018					
Aug 2018					
Sep 2018					
Oct 2018					
Nov 2018					
Dec 2018					

FitchRatings

Fitch Rates Puerto Rico Electric Power Authority's $800MM Bonds 'A-'; Outlook Stable

Fitch Ratings-New York-10 June 2008: Fitch Ratings assigns an underlying rating of 'A-' to the Puerto Rico Electric Power Authority's (PREPA) $700,000,000 fixed-rate power revenue bonds series, WW and $100,000,000 fixed-rate revenue refunding bonds series XX. Fitch also affirms the 'A-'rating on PREPA's outstanding power revenue bonds. The bonds are expected to price June 17, 2008. Proceeds for the new bond issue will be used to fund capital improvements and refund certain power revenue bonds to provide debt service savings. The Rating Outlook is Stable.

Key underpinnings of the credit rating are the system's sound management and governance structure that has historically operated independently from the Commonwealth. Recently, legislation was enacted that provides economic incentives to retain and attract businesses. The legislation requires PREPA to fund a portion of a tax credit (through 2018) and allow businesses to wheel energy. The tax credit provision has little financial impact to PREPA (accounts for less than 3% of 2007 revenues) and the impact of the wheeling provision is unclear at this time (implementation begins in 2010). While management is working with the Commonwealth on these efforts, Fitch will continue to monitor legislative developments noting that the preservation of PREPA's managerial autonomy is a key factor supporting the 'A-'rating.

The 'A-' rating and Stable Outlook also includes the following key credit factors:
Strengths
--The utility is the sole electricity provider.
--An automatic fuel adjustment allows PREPA to pass through volatile fuel costs for stable cash flow.
--Access to bank lines of credit help to offset PREPA's low self-liquidity levels.
--Debt service coverage is consistently above 1.46 times.

Risks
--A high dependence on oil-fired generation exposes PREPA to volatile costs.
--The utility has a customer base with below average income and wealth indicators.
--Even though the economy has weakened, Puerto Rico has a diverse economy of manufacturing and pharmaceuticals that is not dependent on tourism.

Key Rating Drivers
--Continued progress restoring Palo Seco generating facility to full load, attaining reserve margins at or above the historical level of 46%, prior to the December 2006 fires.
-- Implementation of a large, $2.1 billion capital plan that meets cost, schedule, and performance goals.
--Achievement of projected financial targets and implementation of timely base rate increases as needed to maintain solid operating margins.
--Continued progress increasing collections from delinquent government and other customers.
--Autonomy from the Commonwealth especially in light of recent legislation.
--Impact of rising fuel costs and Puerto Rico's economy on PREPA's operations.

PREPA is one of the largest public power systems in the United States, serving approximately 1.4 million electric customers and a population of about 4.5 million. PREPA is a vertically integrated utility and the

Exhibit E

sole provider of power to Puerto Rico. The utility system is comprised of over 5,388 megawatts of owned and purchased capacity with a vast transmission and distribution system. PREPA serves a diverse mix of customers: residential (35%), commercial (45%), industrial (17%), and other (3%). A detailed report will follow.

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Exhibit E

STANDARD &POOR'S

RATINGSDIRECT®

July 31, 2009

Summary:

Puerto Rico Electric Power Authority; Retail Electric

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Summary:

Puerto Rico Electric Power Authority; Retail Electric

Credit Profile		
Puerto Rico Elec Pwr Auth pwr		
Long Term Rating	BBB+/Stable	Affirmed
Puerto Rico Elec Pwr Auth pwr		
Unenhanced Rating	BBB+(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has affirmed its 'BBB+' underlying rating on Puerto Rico Electric Power Authority's (PREPA or the authority) power revenue bonds. The outlook is stable.

The bonds are secured by a pledge of the electric system revenues. As of June 30, 2009, PREPA has $6.16 billion of power revenue bonds outstanding, and $694 million of notes payable.

In our opinion, the rating reflects:

- An isolated electric system, which requires the utility to maintain a capacity margin of at least 50%;
- Large capital requirements of $2.8 billion in the past five years and $1.7 billion during the next five years to convert generating plants to gas, bury distribution wires, upgrade and extend the transmission system;
- A dependence on oil, although conversion of several generating plants to gas and clean coal technology as well as evaluating offshore liquid natural gas (LNG) supply will help achieve the goal of having gas-fired generation account for 24% of capacity, coal for 15%, renewable sources and others for 12%, and oil for only 49% of total generation by 2013;
- The protracted recession, with real GNP contraction of 1.9% in fiscal 2007, 2.5% in fiscal 2008, and an estimated 3.4% in fiscal 2009;
- High rates, which reached 22.2 cents per kilowatt-hour (kWh) in fiscal 2008 and 21.5 cents in 2009; and
- Limited liquidity, exacerbated by increased delinquency on government receivables. The Government Development Bank (GDB) will provide a guarantee to private banks or lines of credit for operating liquidity structured around the government's budgeted payment plan. The payment of government receivables will help improve operating liquidity and will partially pay down existing bank lines of credit. A dedicated line of credit provides liquidity for fuel purchases.

We believe that adequate capacity; and the ability to pass through fuel costs, which allows the authority to maintain what we view as a stable, if not strong, financial profile, mitigate these weaknesses.

In our opinion, PREPA's credit profile is strongly linked to the island economy it serves (Puerto Rico's general obligation bond rating is BBB-/Stable), although the utility has maintained fairly stable financial metrics in the island's past economic cycles. The authority has maintained a stable base rate of 5.8 cents per kWh, and passes through fuel and purchased power costs as incurred. The dependence on oil raised rates for residential customers,

which account for 34% of total revenue, to about 22.0 cents per kWh in fiscal 2008 and 21.0 cents in 2009, up from 17.76 cents in fiscal 2007. (The utility's fiscal year-end is June 30.) Commercial customers account for about 48% of revenue, and industrial and other customers for 18%.

In the past two years, PREPA's financial metrics have weakened, as collections of receivables, primarily from the government and government-related entities, have decreased. At the end of fiscal 2009, government receivables were about 30% of the total, up from 24% in 2005. However, in the five months since his inauguration, the administration of Governor Luis Fortuño has made fiscal stability a priority. With broad support from the legislature, Gov. Fortuño implemented a fiscal reconstruction plan designed to regain budgetary structural balance by fiscal 2013. These fiscal measures represent, in our opinion, a factor that lends near-term stability to the Commonwealth's credit. As part of that plan, amounts owed PREPA will be paid over six years, and the GDB will provide a guarantee of loans provided by banks to make those payments. The Government of Puerto Rico has paid down the $190 million it owed to $110.4 million as of June 30, 2009 and will be paid down to $70 million in the next month. The Public Building Authority will pay down approximately $25 million of its $57 million in the next month.

However, we expect that Gov. Fortuño's fiscal reconstruction program will remain challenged by the recession and the potential growing political pressure to delay or modify the scope of the identified payroll and expenditure costs that the government plans to control. The approved fiscal 2010 budget assumes flat revenue growth relative to actual fiscal 2009 recurring revenues, and general fund expenditures of $7.6 billion. The budget also includes a $2.5 billion stabilization fund, which Commonwealth funded with the proceeds from the sale of the Puerto Rico Sales Tax Financing Corp.'s first subordinate-lien bonds. The stabilization fund will primarily pay for the costs associated with the payroll reductions and buyout plans included in the Commonwealth's fiscal reconstruction plan. Including expenditures associated with the fund, the Commonwealth's structural deficit for fiscal 2010 would reach $2.6 billion, or what we view as a high 34.5% of general fund recurring revenues. Commonwealth officials expect that the majority of the expenditures that the fund is financing will not recur in subsequent fiscal years, gradually closing the structural deficit by fiscal 2013.

During the next five years, PREPA will invest about $1.7 billion in the system, having invested $2.8 billion in the past five years. The goal of the investment plan is to reduce oil dependence and increase fuel efficiency. By 2013, the authority expects to reduce its dependence on oil to 49% from 100%, and use gas-fired units to provide 24% of electricity with coal, renewable sources, and other sources providing the remaining 27%. In addition to converting plants to gas or dual-fuel capability, PREPA will build two high-voltage transmission lines to transfer power across the island, and is considering privately owned generating facilities. The utility has also transferred some distribution wires underground, most notably the system that serves San Juan. In addition, of the completed fiber optic telecommunications network has allowed the authority to modernize its internal communications systems, which provide operations, load management, system protection and security, and other controls.

One-year contracts cover PREPA's fuel requirements for its generation facilities, expire at various times, and are usually renewable at the authority's option. The utility contracted fuel oil prices consist of an escalation factor plus a fixed price differential. The escalation factor reflects the fuel oil price at the New York market at the time of purchase. The fixed price differential compensates for the fuel oil being delivered in the Commonwealth and not New York. It also takes into account other aspects of the delivery such as maximum cargo volume and draft restrictions. PREPA does not expect any difficulty in renewing its contracts at price differentials similar to those currently in effect. Also, it has the right to buy up to 50% of its oil supply at government-to-government rates, helps

lower the all-in cost of electricity.

Although the capital investment will increase the system's debt obligation, PREPA expects to maintain a debt service coverage level of about 1.5x, which is consistent with past performance, without raising base rates. Management expects that annual demand growth of about 2%, plus stringent operating cost controls and greater fuel efficiency, will provide margins that cover increasing debt service at a level that exceeds the 1.2x required minimum. The fixed charge coverage ratio will also continue to be slightly more than 1.0x. This ratio measures coverage of debt service and other long-term fixed obligations by net funds from operations after the annual transfer of funds to the municipalities. For PREPA, the transfer ranges from about $140-$150 million each year. Fixed obligations include 50% of purchased power as a proxy for capacity payments. This level of coverage does not allow the authority to set aside significant reserves to help fund the capital spending program. Less than 5% of the $1.7 billion program will come from internally generated funds.

For these reasons, we believe PREPA's liquidity has always been weak. Cash and investments normally on hand are equal to just a few days of operation costs. However, a $275 million line of credit provides financing for fuel purchases, and a $200 million credit facility provides operating liquidity, although this facility is fully used. GDB has provided lines of credit in the interim and is willing to provide guarantees to banks to back the delinquent receivable repayment plan by the Puerto Rico government and governmental agencies

Outlook

The stable outlook indicates, in our opinion, PREPA's ability to maintain the current level of financial strength despite the effects of the recession on the economy of Puerto Rico. Supporting this is both the authority's commitment to reduce its own operating costs and to the Puerto Rico government's commitment to honor its financial obligations to PREPA. Progress in both of these endeavors will be important factors in maintaining the rating. Moreover, the utility's goal of reducing its oil dependence and improving the overall reliability and efficiency of the electricity delivery system will be an important component of Puerto Rico's economic growth.

Related Research

USPF Criteria: "Electric Utility Ratings," June 15, 2007

Ratings Detail (As Of July 31, 2009)		
Puerto Rico Elec Pwr Auth elec		
Long Term Rating	BBB+/Stable	Affirmed
Puerto Rico Elec Pwr Auth pwr		
Unenhanced Rating	BBB+(SPUR)/Stable	Affirmed
Puerto Rico Elec Pwr Auth pwr		
Unenhanced Rating	BBB+(SPUR)/Stable	Affirmed
Puerto Rico Elec Pwr Auth pwr rev bnds ser AA dtd 05/01/1997 due 07/01/1999-2017 2022-2023 2027		
Unenhanced Rating	BBB+(SPUR)/Stable	Affirmed
Puerto Rico Elec Pwr Auth pwr rev rfdg bnds ser V V dtd 05/30/2007 due 07/01/2020 2024-2027 2029-2035		
Unenhanced Rating	BBB+(SPUR)/Stable	Affirmed

Exhibit E

Ratings Detail (As Of July 31, 2009) **(cont.)**		
Puerto Rico Elec Pwr Auth pwr (wrap of insured) (FSA & BHAC) (SEC MKT)		
Unenhanced Rating	BBB+(SPUR)/Stable	Affirmed
Puerto Rico Elec Pwr Auth pwr		
Unenhanced Rating	BBB+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Ratings in the left navigation bar, select Find a Rating.

The McGraw-Hill Companies

Exhibit E

Puerto Rico Electric Power Authority

Rating Rationale

Moody's Investors Service has assigned an A3 credit rating to fixed rate $850,000,000 Series XX Power Revenue Bonds of the Puerto Rico Electric Power Authority's (PREPA) to be priced on March 24. Moody's has also affirmed the A3 rating on approximately $6.0 billion of outstanding fixed rate revenue bonds.

Strengths

» PREPA's serves as monopoly provider of essential electric service to Puerto Rico

» The PREPA board has full and independent rate-setting authority, including automatic pass through to customers of higher fuel costs

» PREPA has maintained satisfactory debt service coverage despite prior Commonwealth economic downturns and fuel price spikes

» Sound bond covenants including a requirement that maximum annual debt service is covered by at least 1.2x

» A well-established and effective record of improving generating unit reliability and implementation of a strategy to diversify fuel mix to lessen impact of oil price volatility

» Strong power reserve margin which helped to mitigate the impact of the unplanned outage at Palo Seco resulting from a fire

» Modest customer diversification

Challenges

» Significant dependence on fuel oil for generation has subjected PREPA to price volatility

» High amount of accounts receivable remains a pressure on cash flow; PREPA is making strides to improve upon this issue

» Debt leverage is above Moody's median for major public power authorities that own generation

» The Commonwealth, which represents 15% of total energy sales, has historically been slow to pay its electricity bills, putting financial pressure on PREPA, although the Commonwealth in January made a payment of $42 million that took care of all past due payments, as of June 30, 2009

» Internal financial liquidity is weak, but it is bolstered by lines of credit with major banks

» PREPA has a basis swap which adds additional risk to PREPA's debt structure

Outlook

The rating outlook is stable given PREPA's essential role and record of satisfactory financial operations despite record fuel price increases

What Could Change the Rating-UP

The rating could be upgraded if there were a trend of materially higher (cash) debt service coverage levels, improved balance sheet liquidity measures, and reduced reliance on public sector customers as a percent of total power sales.

What Could Change the Rating-DOWN

A Commonwealth slowdown of public sector power payments or a downgrade of the Commonwealth's G.O. rating below Baa3 would pressure PREPA's rating. Ratepayer resistance to higher electricity rates should fuel oil prices continue to increase also could place downward pressure on the rating.

Debt Statement

Puerto Rico Electric Power Authority as of June 30, 2009 [$000]:

	RATING	AMOUNT OUTSTANDING	FINAL MATURITY
Fixed Rate Power Revenue Bonds	A3	$6,004,060	2035
Rural Utility Services (RUI Issue)	NR	26,631	2028
Note Payable	NR	10,100	
GDB Line of Credit	NR	6,104	
GDB (infrastructure projects in the Municipalities)	NR	57,000	
GDB Liquidity	NR	48,000	
Banco Popular de Puerto Rico Notes payable	NR	16,363	
Banco Popular de Puerto Rico Revolving Line (fund purchases)	NR	275,000	
Citibank NA line of credit (CIP)	NR	250,000	
JP Morgan line of credit (CIP)	NR	200,000	
Banco Popular de Puerto Rico Operational Revolving Line	NR	200,000	
Banco Popular de Puerto Rico to fund payment to Munis	NR	9,000	
GDB Line of Credit (Palo Seco)	NR	50,000	
BBVA Line of Credit	NR	50,000	
GDB bank line for collateral ($150 million authorized)	NR	-	
Total		$7,202,258	

Rating History

Senior Lien	
August-2003	A3
December-1982	Baa1
January -1974	A

Key Indicators

Puerto Rico Electric Power Authority

	2006	2007	2008	2009
Days Cash On Hand	16	19	12	16
Debt Service Coverage (Bond Ordinance) (x)	1.55	1.48	1.62	1.45
Debt Service Coverage after In-Lieu of Tax Payments by Net Revenues (x)	1.15	1.12	1.17	1.09
Fuel Expense ($000)	1,666	1,717	2,303	1,920
Debt Ratio (%)	91.0	96.1	99.1	100.8
Annual CIP ($000)	524,395	585,145	673,207	527,161
Debt Outstanding ($000)	5,741,032	6,552,259	7,495,286	7,224,241
Number of Customers	1,450,227	1,452,529		
Peak Demand (MW)	3,685	3,604	3,546	3,404
In-Lieu of Tax Payments to Municipalities ($000)	180,733	192,591	218,379	244,792
Government Agencies and Municipality Receivables ($000)	265,882	316,620	357,257	471,400
Operating Revenues	3,716,082	3,680,390	4,362,209	4,002,000
Dependable Power Reserve Margin (%)	45.6	48.9		
System Equivalent Availability (%)	87%	84%	80%	76%
Average Residential Revenue (¢/kWh)	17.99	17.76	22.19	21.53
Puerto Rico GO Rating	Baa3	Baa3	Baa3	Baa3

Analysis

The credit rating incorporates the evident strong management of the PREPA enterprise during the recent economic slowdown and higher fuel prices. The reappointment in 2009 of Miguel Cordero as Executive Director, who led PREPA from 1993 to 2000 and spearheaded fuel diversity efforts, is a positive. PREPA continues to operate as the sole provider of an essential service independent from the Commonwealth's finances, although it does benefit from the liquidity support of the Government Development Bank of Puerto Rico. PREPA has maintained a satisfactory debt service coverage trend largely due to management's willingness to raise rates to maintain the utility's financial position despite fuel price pressures and the recession. Management has taken steps to diversify its power resource diversity mix.

PREPA's sound risk management program has served it well thus far in mitigating the outage of the Palo Seco power plant due to two fires in 2006. The plant has been restored and is now fully operational. While PREPA has only satisfactory internal liquidity compared to other major public power utilities, the authority has external lines of credit which have provided some financial flexibility. Also considered in the rating is the potentially negative impact of rising oil prices on rate stability and ratepayers; PREPA's sizable interest rate exchange agreement, which currently does not require any collateral posting; and the continuing impact on demand from the recession affecting Puerto Rico, although demand has grown in each of the past seven months after several years of decline.

Recent Developments:

PREPA has brought out of retirement Miguel Cordero, the former Executive Director (1993-2000), who had been credited with a series of changes including PREPA's fuel diversification strategy into coal and liquidfied natural gas, and increased system wide availability from 60% in 1992 to the current 80% range.

Debt service coverage on a cash flow basis for FY 2009, as calculated by Moody's, was 1.09x which was slightly below the 2005-2008 median of 1.15x. PREPA has no variable rate debt and its line of credit terms have not been changed except for pricing. All of the Palo Seco units are back online.

Current Offering: Use of Proceeds:

The bond proceeds will repay loans used to fund the construction improvement program (CIP).

Bond Security Provisions:

PLEDGE: Net revenues of the power system. The bonds are not a debt obligation of the Commonwealth of Puerto Rico or any of its municipalities.

FLOW OF FUNDS: All power system revenues to the 1974 General Fund to pay current operating expenses and to meet the reserve for current expenses; monthly deposits into Bond Service Account and the 1974 Bond Reserve Account, the Reserve Maintenance Fund, Subordinate Obligations Fund, Self-Insurance Fund, Capital Improvement Fund, remaining funds may be used for all lawful purposes of PREPA.

RATE COVENANT: Rates and charges must be set so that the Revenues of System will be sufficient to pay current expenses and provide an amount at least equal to 120% of aggregate debt service.

DEBT SERVICE RESERVE ACCOUNT: 1974 Agreement requires 1974 Reserve Account to be equal to the interest payable on all outstanding Power Revenue bonds within the next 12 months.

ADDITIONAL BONDS TEST: Under the 1974 agreement, additional bonds can be issued if net revenues for 12 consecutive months out of the past 18 months, adjusted to reflect rates in effect on the date of issuance of bonds, are 120% of maximum annual debt service prior to the issuance of the additional bonds and the average net revenues for five fiscal years after bond issuance adjusted to reflect any rate schedule covenanted are 120% of maximum debt service after the issuance of the additional bonds.

CONTRIBUTIONS IN LIEU OF TAXES AND GOVERNMENTAL SUBSIDIES: PREPA is required to make a contribution in lieu of taxes of the greater of: 20% of adjusted net revenues (net revenues less the cost of the Commonwealth rate subsidies) or the cost of actual electric power consumption of the municipalities or the prior 5-year moving average of the contributions in lieu of taxes paid to the municipalities collectively. If PREPA does not have sufficient funds in any year to make the payment, then the difference will be accrued and carried forward for a maximum of three years. The contribution in lieu of taxes can be used to offset accounts receivable balance owed by the municipalities to PREPA.

INTEREST RATE DERIVITIVES/VARIABLE RATE DEBT: PREPA has no un-hedged, long-term variable rate debt. PREPA has several lines of credit for fuel and capital improvements, which are indexed to SIFMA, LIBOR or the Prime Rate.

Effective July 1, 2008, PREPA entered into a basis swap on the notional amount of $1.375 billion with an amortization schedule matching the 2027 to 2037 maturities of previously issued revenue bonds. The swap counterparty, Goldman Sachs Capital Markets, will make quarterly payments to PREPA beginning October 1, 2008 equal to 62% of LIBOR plus 29 basis points and a fixed rate payment of 0.4669% per annum. PREPA will make quarterly payments to Goldman based on SIFMA-Municipal Swap Index, exposing the utility to basis and tax risk. The swap currently provides positive net payments to PREPA. Moody's believes the swap is speculative and relies on the relative performance between SIFMA and LIBOR rates.

Despite the positive current cash flow for PREPA, the mark-to-market exposure, which is calculated on forward indexes, can be positive or negative. The MTM is currently a negative $29.6 million. At December 31, 2009, the MTM was a positive $6.6 million. The applicable threshold for collateral posting is negative $50 million, considering all of PREPA's ratings. Therefore, there is currently no collateral postings. To make the posting, PREPA accesses its $150 million credit line with the Government Development Bank of Puerto Rico entered into in November 2008 (it currently expires on December 31, 2010) specifically to meet collateral requirements. Under the agreement, an event of default and subsequent termination occurs if PREPA's rating falls below Ba1, which introduces an additional risk to PREPA should its credit substantially deteriorate.

An additional termination event occurs should PREPA's debt service coverage fall below 1.20 times. PREPA has had debt service coverage consistently in the 1.50 times range on a bond ordinance basis.

Credit Fundamentals

Strengths:

» PREPA's serves as monopoly provider of an essential electric service to Puerto Rico

» Management has done a credible job at bringing Palo Seco back online

» PREPA board has full rate-setting control and PREPA can automatically pass through to customers higher fuel and energy costs on a monthly basis

» PREPA has maintained satisfactory debt service coverage even during economic downturns and fuel price spikes

» Sound bond covenants including a requirement that maximum annual debt service be covered 1.20x

» A well-established and effective record of improving generating unit reliability; and a record of implementation of a strategy to diversify fuel mix to lessen the impact of oil price volatility

» Strong power reserve margin which helped to mitigate the impact of the Palo Seco fires

» Limited customer concentration

Exhibit E

Challenges:

- Significant dominance of fuel oil as a percentage of total generation fuel mix has subjected PREPA to price volatility
- Accounts receivable problem remains a pressure on cash flow; PREPA has and is making strides to improve upon this issue
- Debt leverage is above Moody's medians for major public power authorities that own generation
- The Commonwealth, which represents 15% of total energy sales, has historically been slow to pay its electricity bills, putting financial pressure on PREPA, although the Commonwealth in January made a payment of $42 million that took care of all of their central government's past due payments, as of June 30, 2009
- Internal financial liquidity is only satisfactory, but it is bolstered by lines of credit with major banks
- PREPA has a basis swap which adds additional risk to PREPA's debt structure

Market Position and Competitive Strategy: PREPA Serves All of Puerto Rico with Essential Electric Service and Continues To Operate On Business Basis Independent Of Commonwealth Finances

PREPA serves as the sole monopoly provider of electricity to Puerto Rico's 4.0 million residents. The customer base is diverse without significant industrial concentration (18% of 2009 revenues). Less than 4% of electric sales come from PREPA's top ten private sector customers. Commonwealth and municipal accounts represented about 15% of utility revenues in 2009.

While the utility is owned by the Commonwealth and the governor and legislature appoint most of the governing board, the authority operates independently of the finances of the Commonwealth. PREPA can adjust rates without external regulatory or legislative review. There have been several attempts to pass legislation to give the legislature review authority, but to date that has not happened. Increased fuel or energy costs can be passed through monthly to customers after board review. PREPA provides an essential service and as such management has been focused on ensuring it improves system reliability and performance.

PREPA plays an important role in strengthening the Puerto Rico economy as much of the PREPA capital improvement plan is focused on new transmission lines to accommodate local economic growth. PREPA has also placed significant focus on upgrading the present transmission system to improve system reliability, particularly during weather events. For example, the San Juan underground 115kV circuit has been built under ground to provide load flow to the government in emergency situations, and it is being extended. This line is expected to mitigate against disaster events, which in the past have had significant economic costs to Puerto Rico.

PREPA has 5,839 MW of installed dependable generation and over 2,419 circuit miles of transmission lines. See Table 1 for current generation unit list. Almost three-quarters of the generation is owned and operated by PREPA with the balance owned by the private entities that developed the new generation facilities.

Exhibit E

Table 1
PREPA Existing Generating Facilities, 2009 (Megawatts)*

GENERATING UNIT	STEAM	COMBINED CYCLE BLOCKS	COMBUSTION TURBINE
Aquirre	900	592	
Costa Sur	990		
Palo Seco	602		
San Juan	400	464	
Mayaguez			110
Cambalache			247
Penuelas-Eco Electrica (NG)		507	
Guayama-AES (Coal)	454		

* In addition, PREP has 70 MW of available capacity from 21 hydro-electric units and 9 MWS from 7 diesel generators.

PREPA Takes Action to Improve System Reliability and Diversify Fuel Mix

PREPA has steadfastly maintained a strategy to strengthen system reliability. PREPA's average equivalent forced generation outage rate from 1980 to1989 was 35% with an average equivalent availability of less than 60%. Equivalent availability is the percentage of time PREPA's generating facilities are available to produce energy. Significant investment in generating unit and transmission line maintenance and the addition of several new and more efficient units have improved power system equivalent availability substantially to nearly 90% in the past few years.

PREPA has also managed to maintain a strong system reserve margin that has averaged in the 50% range for the past five years. The larger reserve margin is critical since Puerto Rico is an island and has no capability to interconnect to another utility should PREPA need additional generation in the face of a significant outage. The larger reserve margin also permits scheduled plant maintenance at existing facilities.

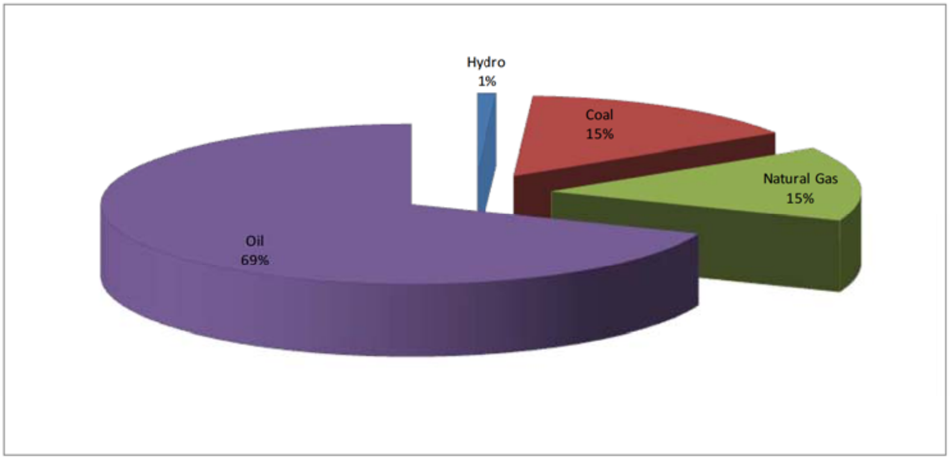
PREPA management has embarked on a long-term plan to diversify the fuel mix of the utility, and to lessen dependence on No.2 and No. 6 fuel oil. PREPA has been subjected to both higher costs and instability in prices due to such dominance and the instability of the oil markets. The first step to diversify was the construction of the 507 MW natural gas-fired Penuelas-EcoElectrica power plant and the 454MW coal- fired AES-Guayama power plant. Both of these projects have been successful with sound operating performance records in 2006 and 2007. Figure 1 reflects that in 2009, PREPA's use of oil as a fuel for generation fell to 69% of the total, a decrease from almost 100% in 2000. Over 30% of PREPA's energy supply is now immune from short-term oil price fluctuations.

An important element of PREPA Governing Board's strategic plan is to continue along the path of fuel diversification with the objective of reducing oil dependency to 48% by 2015. In the next 12 months, PREPA expects to begin development of the Costa Sur combined cycle and Aguirre coal fired units, converting them from fuel oil. Over the course of the next 3 years, PREPA expects to install infrastructure and begin operation to permit natural gas use at major #2 fuel oil-fired facilities - San Juan, Costa Sur, Cambalache and Mayaguez. Longer-term, PREPA plans to begin operation of the Costa Sur combined cycle and Aguirre coal fired units.

In addition, PREPA is evaluating other alternatives including renewable energy sources, such as wind farm energy with a goal of renewable energy and hydro representing 12% of its total resource portfolio by 2015.

FIGURE 1

2009 Generation Fuel Mix



Mitigation of Financial Impact of Palo Seco Fires Was Assured by PREPA'S Well-Established Risk Management Efforts

PREPA has had a significant management focus on positioning the utility to deal with its major risks. PREPA has maintained a sizable power resource reserve margin to prepare for the type of loss it experienced with the outage caused by fires at the 602 MW Palo Seco generation facility. PREPA kept to its schedule of bringing back on line the two smaller 85MW units that are independent of the control room.

PREPA took the opportunity to make numerous upgrades to the Palo Seco facility, which is a very important generating unit for voltage support as it is located close to downtown San Juan. A new control room has been constructed and transmission switchyard facilities have been replaced. As of June 30, 2009, PREPA had been reimbursed a total of $301.3 million in insurance proceeds for losses associated with the two Palo Seco events; more is being negotiated.

Financial Position and Performance: Long-Term Trend of Stable Debt Service Coverage

PREPA has demonstrated over a long period its ability to meet all debt requirements, with excess margins, despite rising fuel oil prices or downturns in economic activity. The ability to pass through changing fuel costs and cost-cutting measures have contributed to this stable trend. Despite the increase in fuel costs between 2003-2008, debt service coverage has averaged 1.53 times over the last 4 years, with 2009 debt service coverage of 1.45 times. Fuel costs more than doubled from $888.4 million in 2003 to $2.23 billion in 2008. Since then, fuels costs have come down due to a combination of declining oil prices and reduced demand for electricity.

Total debt service coverage as calculated by Moody's is lower than the reported levels, due primarily to PREPA's practice of making contributions in-lieu-of-taxes to the Commonwealth's municipalities. Although the contributions technically follow debt service in the flow of funds, in practice they are used to offset against municipal billings and receivables. Moody's calculates debt service coverage,

Exhibit E

including the In-Lieu of Tax Payments as an O&M expense, at a more narrow average of 1.13 times over the last 4 years, with 2009 coverage of 1.09 times.

Financial projections for 2010 indicate that expenses will decline due to lower fuel expenses coupled with more efficient generating facilities and cuts in operating expenses (PREPA has implemented 416 staff reductions with another 1,000 to go). However, debt service coverage as per the bond ordinance is forecasted to fall modestly to 1.41 times in 2010 from 1.45 times in 2009 due to a further decline in revenues resulting from declining demand for electricity before recovering to the 1.50-1.60 range after that.

It should be noted that despite the forecasted decline in demand in the 2010 forecast (prepared last year), actual demand has grown in each of the first seven months of the current fiscal year ended June 30, 2010, over the same months in the prior year.

Table 2
Financial Results – Year Ending June, 30

	2008	2009
Electric energy sales (millions of kwh)	19,602	18,516
%change from prior year	-5.2%	-5.5%
Peak load (MW)	3,546	3,404
Operating Revenues ($000)	4,362,209	4,002,713
Current Expenses ($000)	3,885,826	3,333,992
Net Revenues	502,257	694,047
Equivalent availability (%)	80%	76%
Dependable generating capacity (MW)	5,365	5,839
Residential Average Revenue per Kwh (¢/kWh)	22.19	21.53
Residential electric revenues (%)	34%	34%
Commercial electric revenues (%)	45%	46%
Average fuel oil cost per barrel	?	?

Self-Insurance Policies Protect Against Storm Financial Impact

PREPA is self-insured for weather-related damage to its infrastructure and also relies on program assistance from the Federal Emergency Management Agency (FEMA). FEMA for example is assisting in the funding of PREPA's burying of transmission lines around San Juan.

The self-insurance fund balance was $62.6 million at year-end 2009. The balance and all earnings on the fund are pledged to bondholders, and withdrawal of funds is restricted to defined purposes. Once the funds are withdrawn, replenishment is at PREPA's discretion.

Level Of Receivables Still A Concern, But PREPA Continues To Manage Issue

A constant pressure on PREPA's cash flow is the long-standing accounts receivables problem. The Commonwealth, which represents 15% of total energy sales, has historically been slow to pay its electricity bills, putting financial pressure on PREPA, although the Commonwealth in January made a payment of $42 million that took care of all of their central government's past due payments, as of

June 30, 2009. The current receivables balance is less than the average bill for two months ($14 million/month is average central government bill). For FY 2010, the government's electricity consumption has been budgeted with the source of funds already identified. There have also been significant reductions in the public corporations' receivables. In addition, PREPA is implementing programs to address and reduce line theft and discourage clandestine connections. For example, an aggressive plan to reduce energy theft (including a door-to-door monitoring program) resulted in $17.6 million being billed in 2009 and is expected to generate $50 million of annually recurring revenues.

Internal Liquidity Is Small But PREPA Has External Lines Of Credit And Other Sources Of Flexibility

For a utility with significant generation ownership subject to fuel price volatility and also weather events, PREPA's internal liquidity remains only satisfactory. Historically, PREPA has also experienced pressure on cash flow from the slow payment of government receivables (although as discussed earlier, this has been reduced). In a comparative assessment, PREPA's net working capital and days cash on hand are below the median for major US public power electric utilities that own generation.

However, PREPA does have sources of additional flexibility with recently negotiated and extended commercial bank lines of credit and the availability of a line of credit from the Government Development Bank of Puerto Rico in a worst case situation. Additionally, PREPA has a cash funded debt service reserve that could be replaced with a surety bond should extra liquidity be needed.

Capital Improvement Plan: Reduced CIP Will Reduce Future Borrowings

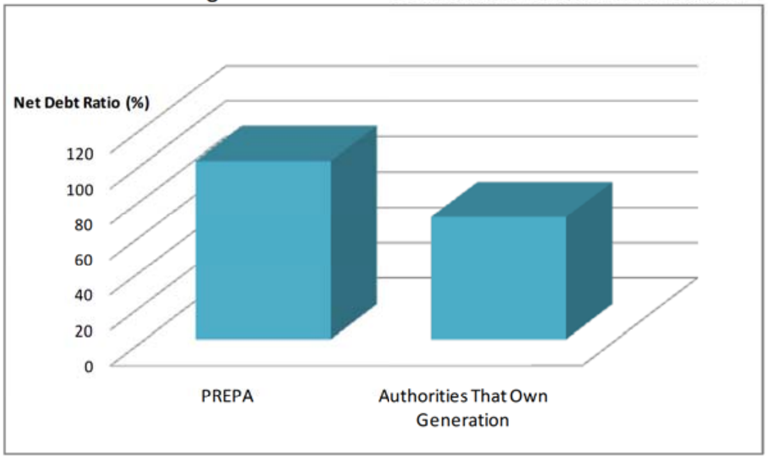
PREPA's 2010-2014 capital improvement plan (CIP) is estimated at $1.7 billion, which is down from the $2.8 billion over the 2005-2009 period. The completion of key projects and demand reduction allow PREPA to focus on fuel mix rather than adding capacity. The CIP over the next few years will be used for several things: (a) to convert Costa Sur to gas (LNG) and Aguirre to coal; (b) to build 2 high voltage transmission lines to transfer power across the island from plants in the south to the population centers on the north of the island; (c) to put more distribution underground, especially in and around San Juan; and (d) to build out a fiber-optic telecommunications network to allow PREPA to modernize its communications system and to better manage its business activities.

PREPA did not spend capital dollars on new generation facilities during the 2001-2006 period as both the AES plant and EcoElectrica plant were built by highly experienced private sector plant operators. PREPA is the sole customer of both projects with PREPA's payment of costs for the power treated as an operating expense, which is paid prior to PREPA debt service. PREPA makes capacity payments which are to be made regardless of the actual level of power taken. This fixed cost could present added financial risk and significantly increase leverage ratios should operational difficulties reduce their availability. The capacity payments are reduced, however, if minimum availability levels are not maintained. Given the operating record and the experienced operators of the projects, Moody's continues to expect the plants will meet the availability minimums.

The $850 million being raised are Power Revenue Bonds to repay loans used to fund the construction improvement program. It is expected that additional bonds will be issued later this year, some as refunding bonds and some as additional power revenue bonds, for a total (including this issuance) of about $1.9 billion this year.

FIGURE 2

2008 Debt Ratio Above Average For Public Power Authorities That Own Generation



PREPA expects to repay about $1.0 billion in existing principal over the capital improvement plan term on existing debt, and it has a declining debt service schedule. In comparison to the median for U.S. public power authorities that own generation in 2008 (the last year for which all authorities provided comparable financial data), PREPA's debt ratio (net debt as a percent of net fixed assets and working capital) is above average at 99% versus 69.1%. See figure 6. PREPA's debt ratio has been in the same range much of the past decade. PREPA's debt ratio may rise somewhat over the five-year period but it is expected to remain near the 2008 ratio.

PREPA Financial Information

Puerto Rico Electric Power Authority
FINANCIAL PERFORMANCE (fiscal years ended September 30) [$000]

OPERATING RESULTS	2006	2007	2008	2009
Operating Revenue ($'000)	3,716,082	3,680,390	4,362,209	4,002,713
Fuel	1,665,866	1,716,965	2,303,036	1,919,789
Purchased Power ($000)	603,169	510,392	564,824	671,849
Maintenance	240,511	252,444	248,569	226,642
Administrative and General	201,363	216,015	415,185	171,864
Transmision and Distributon	164,731	163,555	177,692	168,102
Total Operating Expenses	3,041,370	3,025,682	3,885,826	3,333,992
Net Revenues ('000)	699,187	675,650	502,257	694,047
Interest	281,629	301,538	?	?
Principal and interest	449,318	455,022	419,569	434,526
In-Lieu Tax Payments to Municipalities	180,733	192,591	218,379	224,792
KEY FINANCIAL RATIOS	**2006**	**2007**	**2008**	**2009**
Operating Ratio (%)	81.8	82.2	84.8	83.3
Debt Service Coverage (x)	1.55	1.48	1.62	1.45
Net Revenue Debt Service Coverage (x)	1.56	1.55	1.69	1.61
Net Revenue Debt Service Coverage after In-Lieu Tax Payment	1.15	1.12	1.17	1.09
Debt Ratio (%)	91.0	96.1	99.1	100.8
BALANCE SHEET DATA	**2006**	**2007**	**2008**	**2009**
Gross Fixed Assets	9,302,616	9,882,797	10,557,877	11,049,508
Net Fixed Assets	5,437,661	5,754,568	6,173,993	6,410,173
Net Working Capital	223,687	471,374	841,014	408,804
Gross Funded Debt	4,870,184	5,764,412	6,515,536	5,775,827
Debt Service Funds	588,780	566,125	544,542	563,498
Net Funded Debt	4,281,404	5,198,287	5,970,994	5,212,329

Key Contacts

Key Issuer Contact Information:

Jose A. Roque Torres, Treasurer

Telephone contact: (787) 521-4607

RECALIBRATION OF RATING TO THE GLOBAL RATING SCALE & PRINCIPAL METHODOLOGY

The rating assigned to Puerto Rico Electric Power Authority and it's Series XX Power Revenue Bonds was issued on Moody's municipal rating scale. Moody's has announced its plans to recalibrate all U.S. municipal ratings to its global scale and therefore, upon implementation of the methodology published in conjunction with this initiative, the rating will be recalibrated to a global scale rating comparable to other credits with a similar risk profile. Market participants should not view the recalibration of municipal ratings as rating upgrades, but rather as a recalibration of the ratings to a different rating scale. This recalibration does not reflect an improvement in credit quality or a change in our credit opinion for rated municipal debt issuers. For further details regarding the recalibration please visit www.moodys.com/gsr.

The principal methodology used in rating the current offering was the U.S. Public Power Utilities Methodology, published April 2008 which can be found at www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website. The last rating action on the Puerto Rico Electric Power Authority was June 9, 2008 when Moody's assigned the A3 rating to PREPA's sale of $700 million power revenue bonds.

Moody's Related Research

Industry Outlook:

» U.S. Electric Utilities Face Challenges Beyond Near-Term, January 2010 (121717)

» Oil and natural gas outlook: Supply and demand pressures persist, January 2010 (122453)

» 2009 U.S. Public Power Electric Utility Sector Outlook, February 2009 (114400)

» 2009 US Power Projects Sector Outlook, March 2009 (115260)

» U.S. Investor-Owned Electric Utility Sector, January 2009 (113690)

Special Comments:

» New Generating Capacity in a Carbon Constrained Environment, February 2008 (107453)

» The Cost of Climate Change, February 2008 (107643)

» Case Study of Power Generation Projects: Impact of Operational Problems, March 2008 (108120)

» Financial Hedges in Power Projects: Evolution in Mitigating Market Risk, August 2008 (110466)

» Global Infrastructure Ratings and the Potential Credit Impact of Lehman's Bankruptcy Filing, September 2008 (111290)

» Carbon Risks Becoming More Imminent for U.S. Electric Utility Sector, March 2009 (115175)

» Investor-Owned Utilities Face Significant Bank Facility Refinancing Risk as Substantial 2011-2012 Maturities Approach, October 2009 (120596)

» U.S. Electric Utility Sector Weathers the Recession, November 2009 (121216)

» Moody's Approach in the DOE Loan Guarantee Solicitation Process, December 2009 (121325)

» U.S. Electric Utilities See Some Clarity in Evolving Federal Energy Policies, February 2010 (123062)

» Refunding Risk and Needs for U.S. Speculative-Grade Corporate Issuers, 2010-2014, February 2010 (122627)

Rating Methodologies:

» U.S. Municipal Joint Power Agencies, September 2006 (99024)

» US Public Power Electric Utilities, April 2008 (106322)

» Evaluating the Use of Interest Rate Swaps by U.S. Public Finance Issuers, October 2007 (104186)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Exhibit E

» contacts continued from page 1

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MOODY'S
INVESTORS SERVICE

Exhibit E

STANDARD
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RATINGS SERVICES

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Summary:

Puerto Rico Electric Power Authority; Retail Electric

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Summary:

Puerto Rico Electric Power Authority; Retail Electric

Credit Profile		
Puerto Rico Elec Pwr Auth pwr		
Unenhanced Rating	BBB(SPUR)/Stable	Downgraded
Long Term Rating	BBB/Stable	Downgraded

Rationale

Standard & Poor's Ratings Services has lowered its rating on Puerto Rico Electric Power Authority's (PREPA) power revenue bonds to 'BBB' from 'BBB+'. The outlook is stable.

As of fiscal year-end 2012 (June 30), PREPA had $8.2 billion of power revenue bonds outstanding. A pledge of the electric system revenues secures the bonds.

The lower rating better reflects our opinion of both the continuing weakness of the island's economy and the utility's own challenges, including:

- An isolated electric system, which requires the utility to maintain a capacity margin of at least 50%;
- High rates due to dependence on fuel oil for 61% of energy production;
- Large capital requirements to convert generating plants to gas, bury distribution wires, and upgrade and extend the transmission system;
- Weakened debt service coverage in 2012 and 2013; and
- Limited liquidity, exacerbated by delinquency of public corporation receivables.

The rating also takes into account steps PREPA's management is taking to lower the cost of electricity by converting generating plants to gas, reducing operating costs and energy theft, increasing collection of government receivables, and strengthening transmission efficiency. Management also intends to increase the percentage of power provided by renewable sources.

In our opinion, PREPA's credit profile is strongly linked to the economy it serves, although the utility has maintained fairly stable financial metrics through past economic cycles. The authority has also maintained a stable base rate of less than 6.0 cents per kilowatt-hour (kWh). In the next five years, management expects the base rate to be about that amount despite significant investment in the system because of other cost reductions.

During the next five years, PREPA will invest about $1.55 billion in the system, having already invested $2.30 billion in the past five. The investment includes both conversion of most of the generating capacity to natural gas from oil and the upgrade and strengthening of the transmission and distribution system. Dependence on oil raised rates for residential customers, which account for 35% of total revenue, to 24.8 cents per kWh in fiscal 2012, from 17.6 cents in

fiscal 2007. In April 2012, the authority began burning natural gas in unit 5 of the Costa Sur plant on the south coast. By April 2013, the unit was fully converted to natural gas. Later in the summer, Costa Sur units 5 and 6 (820 megawatts [MW]) will burn natural gas. Management will invest an estimated $172 million to outfit an additional 1,932 MW of oil-burning units to burn gas by 2017. Once the conversion is complete in 2017, natural gas will account for 72% of electricity generated, coal for 16% and oil for only 2% -- down from 99% in 2000. Also, PREPA will comply with the Mercury and Air Toxics Standards issued by the EPA. It presented the conversion plan to the EPA in April 2013 and requested an extension of the 2015 compliance deadline.

Supplementing PREPA-owned generation, two purchased power contracts, one for gas-fired power from a plant on the southeast coast and the other from a coal-fired plant on the southwest coast, provide about 31% of PREPA's power. The authority has also signed and is taking bids for additional power from renewable resources (wind, solar, waste-to-energy, landfill gas) and expects power from those sources to account for 10% of energy by 2016. Compliance with the government's requirement that renewable energy sources provide 12% of power by 2015 and 15% by 2020 will depend on the ability of the system to absorb intermittent power.

Natural gas for the Costa Sur units comes from the expanded liquid natural gas (LNG) terminal at the gas-fired Ecoelectrica generating station, from which PREPA purchases power. Natural gas for the Aguirre units (900 MW) on the southwest coast will be supplied from a floating LNG platform. PREPA submitted a formal application to the Federal Energy Regulatory Commission in April 2013 and expects permits to be approved within a year. The authority expects to complete conversion of the Aguirre units by 2015. Construction of the LNG platform will cost an estimated $253 million, and will be financed privately. In the north, 4 units at the San Juan generating station (600 MW) and 2 units at the Palo Seco plant (432 MW) will be converted by 2017. PREPA is evaluating recommendations from 25 companies active in the sector for LNG delivery methods. Management expects to have a natural gas delivery system in place for the north coast generating plants by the second quarter of 2017. That structure replaces the north-south gas pipeline plan that was cancelled in October 2012.

In addition, PREPA intends to increase system reliability by investing about $800 million in transmission and distribution facilities in fiscal years 2014-2018. A good part of the distribution system around San Juan is now underground, and this additional investment will increase the underground system, reducing vulnerability to hurricanes. The investment will also add a new 230 kilovolt line from the Costa Sur plant in the south to the north on the western end of the island, and from the Aguirre plant to a point in the middle of the eastern end of the island, providing alternate routes for power.

Another target of cost reduction is the timely recovery of payment from government departments and agencies. Legislation passed in 2010 requires the government's Office of Management and Budget to estimate the future cost of electricity for agencies whose operation depends on the government's general fund and to coordinate with the Treasury Department to make payments directly to PREPA at the beginning of each month. Revenue from state and federal agencies and public corporations in fiscal 2012 accounted for about 11% of revenue and about 33% of accounts receivable.

Completion of a fiber optic telecommunications network has allowed PREPA to modernize its internal communications systems, which provide operations, load management, system protection and security, and other

controls. The upgraded remote metering system allows PREPA to implement load control and helps eliminate theft, which accounted for about 6% of electricity produced in fiscal 2012 -- down from 8% in previous years. Management has identified and eliminated some electricity theft, and is recovering past-due amounts. Legislation passed in late 2011 assigns primary responsibility for reducing theft to the Special Investigations Bureau of the Department of Justice, changes the criminal charge for tampering with a meter to a felony, and authorizes PREPA to impose administrative penalties or sanctions on anyone involved with tampering with the electric utility system. Using its own resources, management is also identifying potential billing irregularities for major customers. It expects to increase revenue about $30 million as a result of these efforts. Management has also reduced its own operating expenses. It expects staff reductions, changes to retiree health care benefits, and other initiatives such as reduced overtime to result in about $50 million of additional annual savings. In addition, management expects to reduce payments to municipalities by about $30 million by enforcing a law passed in 2011 that eliminates from the calculation of contributions in lieu of taxes the electricity consumption associated with those properties that the municipalities currently run as for-profit operations.

Management expects these cost reductions will help it maintain at least 1.2x debt service coverage, which is the minimum required by the trust indenture, despite the additional debt issued to fund capital investment. Management also expects to issue $1.4 billion of debt in the next five years, and projects debt service to rise to $626 million in 2017 from $485 million in fiscal 2012. Maximum annual debt service on the revenue bonds is projected to be about $680 million. Our calculation of fixed charge coverage, which includes payment in lieu of taxes as an operating cost and the capacity payment included in purchased power (about one-third of total cost) as a debt equivalent, indicates probable cash coverage of all costs of at least 1.0x.

This level does not allow the authority to set aside significant reserves to help fund the capital spending program. For these reasons, PREPA's liquidity has always been weak, in our view. Cash and investments normally on hand equal just a few days of cash operating costs. However, the utility's ability to pass fuel costs directly through to customers monthly helps limit operating liquidity requirements. However, from December 2011 through October 2012, the former governor requested PREPA to under-recover fuel costs, which reduced net income by $79.4 million in fiscal 2012 and by about $53.0 million in fiscal 2013. Proceeds of the 2012 bond issue covered the deficit. The termination of that program allowed PREPA to once again fully recover the cost of fuel in rates and achieve the level of DSC required to issue bonds to fund the remainder of the capital investment program.

To provide liquidity, the authority has credit lines that total $750 million. A $250 million line with Citibank N.A. expires in January 2014, and a $500 million line arranged by The Bank of Nova Scotia, which matures June 2013, is in renewal negotiations. PREPA's lines of credit are usually fully outstanding, and used primarily for oil purchases. As the power is sold, revenue repays the debt and then the lines are used to purchase additional oil. We expect the lower cost of gas to provide some additional availability on these lines once the generating units are converted to gas-fired capability.

Puerto Rico's Government Development Bank (GDB) provides a $100 million line of credit for collateral requirements associated with floating rate note related swaps that have a notional value of $412 million ($253 million of which Assured Guaranty Municipal Corp. insures) and a basis swap that has a notional value of $1 billion. At the current ratings, the collateral threshold on both the floating rate swaps and the basis swap is zero and $31 million of collateral

will be posted using a draw on the GDB line. Lowering the rating to speculative-grade status would permit the basis swap counterparty to terminate the swap. The basis swap has generated $45.2 million for the authority since its inception.

Outlook

The stable outlook reflects our opinion of PREPA's ability to maintain adequate credit metrics while continuing to fund its capital investment program with substantial amounts of debt. The authority's commitment to reduce its own operating costs and the Puerto Rico government's commitment to honor its financial obligations to PREPA support this. Progress in both of these endeavors will be important factors in maintaining the rating during our two-year outlook horizon. Moreover, the authority's goal of reducing its dependence on oil and improving the electricity system's overall reliability and efficiency will be an important component of Puerto Rico's economic growth, and successful execution of the planned conversion and upgrade will also be important factors in maintaining the rating. We do not expect to raise the rating during the outlook period.

Related Criteria And Research

USPF Criteria: Electric Utility Ratings, June 15, 2007

Ratings Detail (As Of June 21, 2013)		
Puerto Rico Elec Pwr Auth pwr rev bnds ser 2012 A due 07/01/2041		
Long Term Rating	BBB/Stable	Downgraded
Puerto Rico Elec Pwr Auth pwr		
Unenhanced Rating	BBB(SPUR)/Stable	Downgraded

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Baa3 rating to PREPA Power Revenue Bonds, Series 2013A; outlook is negative

25 Jul 2013

Issuance Amount $600 million

PUERTO RICO ELECTRIC POWER AUTHORITY
Electric Distribution and Generation
PR

Moody's Rating

ISSUE	RATING
Power Revenue Bonds, Series 2013A	Baa3

Sale Amount	$600,000,000
Expected Sale Date	08/05/13
Rating Description	Revenue: Government Enterprise

Moody's Outlook

Opinion

NEW YORK, July 25, 2013 --Moody's Investors Service assigned a Baa3 rating to the Puerto Rico Electric Power Authority's (PREPA) $600 million of Power Revenue Bonds, Series 2013A. The outlook is negative.

SUMMARY RATINGS RATIONALE

The rating reflects the current rating and outlook for the Commonwealth of Puerto Rico's general obligation bonds (Baa3; negative) as well as the rating of entities that are based on or capped at the GO rating, including the Government Development Bank of Puerto Rico (GDB) (Baa3; negative), which is an important source of liquidity for PREPA.

The rating also reflects continued weakness in the economy of Puerto Rico. In addition, the rating reflects uncertainty about the execution of a long-term fuel diversification and cost reduction plan that is designed to put the Authority on a sounder financial footing. PREPA also has a sizable Capital Improvement Program (CIP), which contemplates further issuance of additional debt, and uncertainty remains in terms of PREPA's ability to execute the construction program that is intended to enable many of its power plants that currently utilize high cost oil to be capable of burning natural gas.

Moody's notes that PREPA has made some progress on its long-term diversification plan. Two of its generating units at the Costa Sur power plant have already been converted and are already capable of burning natural gas. PREPA's CIP program for fiscal years 2014 through 2108 includes the conversion to burn dual fuel of an additional six oil fired electric utility steam generating units and the San Juan Combined Cycle units.

For a detailed credit analysis of PREPA, please see our rating update report dated June 19, 2013.

OUTLOOK

The negative outlook reflects the negative outlook for the Commonwealth and the GDB as well as the liquidity pressures at PREPA that will continue. The negative outlook also considers the uncertainty about the execution of the long-term strategic plan to convert high cost oil-based power generation to lower cost natural gas, which will enable PREPA to control rates and help spur economic growth on the island.

USE OF PROCEEDS:

Exhibit E

The proceeds of the Series 2013A revenue bonds will be used to pay for a portion of the costs of various capital improvement projects, fund the debt service reserve fund, pay capitalized interest and the cost of issuance. This new money issuance was scheduled to occur over the next couple of years, but the Authority is taking advantage of the favorable interest rate climate to move up the issuance.

PLEDGE: Net revenues of the power system. The bonds are not a debt obligation of the Commonwealth of Puerto Rico or any of its municipalities.

FLOW OF FUNDS: All power system revenues to the 1974 General Fund to pay current operating expenses and to meet the reserve for current expenses; monthly deposits into Bond Service Account and the 1974 Bond Reserve Account, the Reserve Maintenance Fund, Subordinate Obligations Fund, Self-Insurance Fund, Capital Improvement Fund, remaining funds may be used for all lawful purposes of PREPA.

RATE COVENANT: Rates and charges must be set so that the Revenues of System will be sufficient to pay current expenses and provide an amount at least equal to 120% of aggregate debt service.

DEBT SERVICE RESERVE ACCOUNT: 1974 Agreement requires 1974 Reserve Account to be equal to the interest payable on all outstanding Power Revenue bonds within the next 12 months.

ADDITIONAL BONDS TEST: Under the 1974 agreement, additional bonds can be issued if net revenues for 12 consecutive months out of the past 18 months, adjusted to reflect rates in effect on the date of issuance of bonds, are 120% of maximum annual debt service prior to the issuance of the additional bonds and the average annual net revenues for the five fiscal years after bond issuance adjusted to reflect any rate schedule PREPA has covenanted to impose are 120% of maximum debt service after the issuance of the additional bonds.

What could change the rating - Up

In light of the negative outlook, the rating is not expected to move upward over the near-to-medium term. The outlook could stabilize if the Commonwealth of Puerto Rico stabilizes and/or PREPA shows progress on the execution of its fuel diversification and cost reduction strategy.

What could change the rating - Down

The rating could be pressured downward if receivables from government entities remain high and unrestricted cash balances decline, debt service coverage ratios fall significantly below projected levels, or the ratings of the Commonwealth and GDB decline. In addition, the rating could move down if PREPA fails to renew its committed bank facilities, which are set to expire this year.

RATING METHODOLOGY

The principal methodology used in this rating was U.S. Public Power Electric Utilities with Generation Ownership Exposure published in November 2011. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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FitchRatings

Fitch Rates Puerto Rico Elec Power Auth's $600M Rev Bonds 'BBB-'; Outlook Stable

Fitch Ratings-New York-26 July 2013: Fitch Ratings assigns a 'BBB-'rating to the Puerto Rico Electric Power Authority's (PREPA) planned issuance of $600 million series 2013A power revenue bonds. The 2013A bonds are scheduled to price the week of Aug. 5, 2013, via negotiated sale. Fitch also affirms PREPA's outstanding $7.95 billion in parity power revenue bonds at 'BBB-'.

The Rating Outlook is Stable.

SECURITY

The power revenue bonds are secured by a senior lien on net revenues of the electric system.

KEY RATING DRIVERS

SOLE POWER PROVIDER: PREPA is essential to the Commonwealth of Puerto Rico as it is the sole provider of electricity on the island. PREPA is the largest municipal power system in the U.S., in terms of customers (1.47 million) and revenues ($4.9 billion).

RECENT DOWNGRADE: Fitch recently downgraded PREPA's debt rating (see press release dated July 1, 2013) to 'BBB-' from 'BBB+' due to persistently slimmer operating margins, cash flow and debt service coverage in recent years. The weakened financial position and lower debt rating reflect the impact of the ongoing economic recession, declining electricity usage, high fuel costs and growing account receivables, as well as Fitch's expectation that stronger financial performance is unlikely over the near term.

WEAK FINANCIAL POSITION: Fitch-calculated debt service coverage, after adjusting for contributions in lieu of taxes (CILTs), has remained close to 1.0x in recent years (0.91x unaudited for fiscal 2013), and is not expected to improve through fiscal 2016. Coverage rose to 1.16x in fiscal 2012 but reflected the refunding of scheduled debt maturities. Total debt and leverage metrics have risen steadily since 2009.

RECEIVABLES REMAIN HIGH: Total receivables remain high at 29% of revenues for fiscal 2013, an ongoing negative credit factor. Government, municipal and private customer receivables have returned to growth in fiscal 2013 despite efforts of the Government Development Bank of Puerto Rico (GDB) and the Commonwealth to improve collections. Persistently high fuel costs and the weak economy continue to drive receivables higher.

GDB LIQUIDITY SUPPORT: PREPA's reliance on borrowings from the GDB and other banks to periodically cover operating costs, debt service and the CILT payment remains a concern for Fitch. Beyond fiscal 2013, PREPA is projecting improved cash flow, adequate to cover total costs.

REPARATIVE FISCAL INITIATIVES: PREPA, in concert with the GDB and the legislature, has worked to put in place various initiatives aimed at improving revenue collections (reduce energy theft; reduce transfers to municipalities, etc.) and reducing operating costs. In aggregate, these measures could

improve operating cash flow by up to $120 million per year by fiscal 2014.

DIVERSIFYING POWER SUPPLY: A credit positive is management's focus on reducing dependency on costly oil-fired generation to reduce fuel costs and comply with environmental mandates. Via a combination of renewable power purchases and conversion of existing plants to dual fuel generation (oil and natural gas), oil generation dependency has declined from close to 100% pre-2000 to roughly 67% currently. If remaining plant conversions are completed, annual fuel costs could decline 40% ($1 billion) by 2018.

BROAD BUT WEAKENED SERVICE AREA: PREPA's retail customer base is diversified and not as heavily dependent on tourism as other islands. However, the Commonwealth (GO debt downgraded to 'BBB-', Negative Outlook by Fitch) remains economically weak, with a declining population base, growing budget deficit and high debt burden.

RATING SENSITIVITIES

WEAKER THAN EXPECTED FINANCIAL PERFORMANCE: The current rating takes into account PREPA's weakened balance sheet, marginal debt service coverage and ongoing decline in energy sales through fiscal 2013. However, failure to stabilize operating margins as projected, or a continued heavy reliance on borrowings to adequately meet costs (in particular debt service) could result in further negative rating action.

CREDIT SUMMARY

PREPA is one of the largest public power systems in the U.S., and the sole provider of power to the Commonwealth of Puerto Rico, an island of about 3.7 million people. The authority has historically operated independent from the commonwealth and has been allowed to pass through the costs of fuel and purchased power costs on a monthly basis.

Higher generating reserves are required for PREPA as an island system that has a total of 5,839 megawatts (MW) of owned and purchased capacity compared with the 2013 peak load of 3,265 MW. Concentration of resources in oil exposes PREPA to volatile fuel costs and environmental mandates.

Fitch views the utility's efforts to diversify its energy mix positively, as the continued reduction in oil generation dependency should alleviate some of the pressure on future financial margins. Fitch will be monitoring PREPA's progress to stabilize its financial position and achieve stronger operating cash flow - sufficient to cover total costs, including debt service.

WEAKENED FINANCIAL PROFILE

The past six years of economic recession, coupled with rising fuel costs have contributed to a significant decline in electricity sales and reductions in PREPA's operating and cash flow margins through fiscal 2013. Net account receivables have returned to historically high levels, after progress had been made in reducing municipal receivables in fiscal 2009 and 2010. CILTs, in essence a utility transfer to government and municipal customers, have also continued to escalate unabated through the period.

While debt service coverage for fiscal 2008-2013 ranged from 1.23x to 2.12x, coverage of full obligations, which includes CILTs as an operating expense, was closer to 1.0x and declined to less than 1.0x in fiscal 2008, 2011 and 2013. Liquidity significantly tightened and additional borrowings were periodically necessary to meet total obligations.

Fiscal 2012 debt service coverage improved to 2.12x, or 1.16x adjusted for CILT payments, however, the improvement was mainly due to lowered debt service payments via refinancing, rather than improved cash flow.

A reluctance to raise base rates continues to persist, as base rates remain unchanged since 1989. Additionally, the lackluster Puerto Rican economy remains a negative credit factor as recovery may prove to be elusive.

REASONABLE OPERATING STRATEGY

PREPA has developed a reasonable plan to restore prospective financial margins. In concert with the GDB and with the support of legislative initiatives, PREPA will be implementing measures to improve revenue collections and reduce operating costs (non-fuel). These measures, if successful, could improve operating margins by $120 million per year by 2014.

Additionally, with PREPA's completed conversion of the Costa Sur generating facility to dual-fuel (25% of energy mix) fuel costs should begin to decline in fiscal 2014. Average customer bills, as measured by revenues/kwh sales, should see some rate relief due to the lower fuel cost component by fiscal 2014.

NO MEANINGFUL IMPROVEMENT EXPECTED THROUGH 2017

Based on these initiatives and a somewhat aggressive electric sales growth forecast (CAGR 0.9% per year 2014-2017), PREPA's debt service coverage is projected to range from 1.31x-1.39x. Adjusting for CILT payments (actually netted against customer electric bills), debt service coverage will hover at just over 1.0x, as annual debt service payments are scheduled to increase over the same period.

PREPA's equity-to-total capitalization ratio is not likely to improve notably going forward (-6.1% as of fiscal year-end 2012) given the authority's $1.5 billion five-year capital expenditure program and plans for debt funding.

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Applicable Criteria and Related Research:
--'U.S. Public Power Peer Study -- June 2013' (June 13, 2013);
--'U.S. Public Power Peer Study Addendum -- June 2013' (June 13, 2013);
--'Revenue-Supported Rating Criteria' (June 3, 2013);
--'U.S. Public Power Rating Criteria' (Dec. 18, 2012).

Applicable Criteria and Related Research:
U.S. Public Power Peer Study -- June 2013
(http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=710397&cft=0)
U.S. Public Power Peer Study Addendum: January 2013
(http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=700013&cft=0)
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